

London Borough of Hammersmith & Fulham

Report to: Cllr Homan, Cabinet Member for Housing

Date: 10th March 2021

Subject: Procurement of whole-home zero-carbon retrofit programme

Report of: Cabinet Member for Housing, Councillor Lisa Homan

Report author: Will Shanks, Governance and Commissioning Manager, the Economy

Responsible Director: Tony Clements, Strategic Director for the Economy

Summary

LBHF have been successful in applying to join the GLA's Social Housing Decarbonisation Fund Demonstrator (a.k.a. the 'Energiesprong Project'), a nation-wide pilot aimed at accelerating the creation of viable whole-home zero-carbon retrofit solutions that social landlords can procure at scale.

Participation in the project involves the Greater London Authority (GLA) procuring retrofit providers on behalf of participating social landlords. GLA will collaboratively procure a number of providers and appoint them to an Innovation Partnership, and the social landlords will appoint providers using the prescribed procedure and prescribed form of contract.

The recommendation of this procurement strategy is that direct award from the GLA Innovation Partnership is the most effective and best value procurement strategy for procuring retrofit works at this time. GLA creating an Innovation Partnership is the best method because there is no UK market for the type of retrofit being sought through this project (one that *guarantees* the energy efficiency outcomes rather than just carries out retrofit works). Participation in the Energiesprong project and a procurement carried out by GLA saves LBHF the cost of running our own individual procurement exercise, and crucially, enables us to access grant funding that will cover 40% of the cost of the retrofit works, which are expected to cost £2.5m (£1.6m funded from the LBHF capital programme and £0.9m funded from the grant). This collective procurement exercise is likely to be much more attractive to the market than a separate LBHF-only procurement for 27 properties: participation will increase LBHF's chances of securing an innovative, committed provider and benefit from the learning and innovation gathered from across the entire project.

Recommendations

That the Cabinet Member for Housing:

1. Agrees that the procurement of whole-home zero-carbon retrofit of 27 homes (for an estimated value of £2.5m) be conducted via the following strategy: direct award from the Innovation Partnership being procured by the Greater London Authority.
2. Note that a waiver of the Council's CSO procedures has been obtained to permit the Council's participating in the collaborative procurement using the GLA's procurement procedures.
3. Agree to the Council entering into a Participation Agreement with the Greater London Authority to secure its participation in the procurement of the Innovation Partnership, which will include a contribution of £10,000 to the GLA procurement costs.
4. Agrees a direct award of contract to Turner & Townsend Consulting Limited (T&T) for support services associated with the delivery of the retrofit project, at zero cost due to third party funding.

Wards Affected: All

H&F Priorities

Our Values	Summary of how this report aligns to the H&F Values
Building shared prosperity	The contractor must comply with the LBHF Social Value policy, sign up to the Portal, and deliver 10% Social Value. The project team have enhanced a number of Social Value indicators to encourage the contractor to focus on local employment and local spend, as well as the recycling of materials and educating local VCS and SMEs in energy efficiency.
Creating a compassionate council	Retrofit has the capacity to radically improve outcomes for those in fuel poverty. 27 households will benefit from the project by securing guaranteed comfort levels for a fixed weekly price. There is significant scope for future programmes to target those most in need.
Doing things with local residents, not to them	The Energiesprong project is moving at a great pace, consistent with the concept of a Climate Emergency. This has limited the amount of resident engagement that has been possible. Engagement with 50 households from which the 27 pilot properties will be selected is now underway. Retrofit will

Our Values	Summary of how this report aligns to the H&F Values
	not be compulsory during this pilot.
Being ruthlessly financially efficient	Participation in this project enables LBHF to secure grant funding for 40% of the costs of the retrofit. LBHF is essentially getting to retrofit 27 properties for the price of 16 – which is excellent value for money. The Innovation Partnership method is competitive and rewards the best value bidders – so should secure LBHF the best value provider possible.
Taking pride in H&F	This is a highly innovative project that LBHF had to compete to be part of.
Rising to the challenge of the climate and ecological emergency	35% of the emissions that LBHF are responsible for come from the energy consumed in heating our stock of c12,000 social houses. Radically improving the energy efficiency of our social housing is absolutely critical to achieving our climate emergency goals. The 27 home pilot facilitated through participation in the Energiesprong project will enable LBHF to take a valuable first step towards a comprehensive retrofit programme.

Financial Impact

The total cost for the proposed works to LBHF's 27 properties is estimated to be £2.5m of which £0.9m is expected to be grant funded. The balance of £1.6m is to be contributed by the Council. This requirement can be funded from the existing unallocated HRA capital budget to the extent of £669k and the balance of £931k from underspends from other HRA capital budget headings. The current forecast expects that underspends will be sufficient to fund the remaining requirement of £931k and will be earmarked to be secured for this purpose.

Paragraph 1.16 below indicate that during the procurement exercise, financial vetting of the bidders will be carried out by the Greater London Authority (GLA) and an opportunity will be provided to LBHF for vetting the contractor(s) allocated to it. Finance will carry out such vetting of allocated contractors against LBHF's own criteria at that time.

Legal Implications

1. This report is recommending a Procurement Strategy for a demonstrator project for retrofitting 27 properties to achieve significant carbon reductions. The value of

the procurement means that it will be a High Value Contract under the Council's Contract Standing Orders.

2. The proposed procurement strategy involves both a collaborative procurement and an Innovation Partnership, both of which are unusual for LBHF. It will be a collaborative procurement with the Greater London Authority (GLA), and such collaborative procurements are supported as a beneficial mechanism by Contract Standing Order 32. Because the essence of a collaborative procurement means that one authority has to take the lead and procure on the basis of its own procurement procedures on behalf of the others, it is necessary to obtain a waiver in relation to LBHF's own procurement procedures. This is specifically provided for in relation to collaborative procurements by CSO 22.3.4. This waiver has already been granted.
3. Procuring collaboratively does not mean that the requirements of the Public Contracts Regulations 2015 will not apply. The Innovation Partnership is specifically provided for within the 2015 Regulations (reg 31) as a specific type of aggregated procurement. It will be for the GLA to comply with these processes, and the Council has been given full visibility of the GLA contract documents (though because of speed this was after the placing of the initial advert). It should be noted that the procedure itself is flexible provided that minimum steps are taken, however the following are mandatory features:
 - a. the setting of intermediate targets for the participant providers and for payment in appropriate instalments to reflect the intermediate targets. The GLA have made provision for this, as described in the report;
 - b. Negotiation of initial tenders and subsequent tenders to be appointed to the Innovation Partnership to improve content, but not final tenders;
 - c. Selection of candidates at SQ stage on basis of capacity in the development field in question;
 - d. The structure, duration and value of the Innovation Partnership has to reflect the degree of innovation and the sequence of required research.
4. Overall it is considered that the GLA have structured the procurement to meet these mandatory requirements, though there is some concern about the final item (d) due to the complexity of the Innovation Partnership and its frequent assessment stages (see body of report) when the solution providers may be quite small companies. However the GLA have already undertaken the SQ stage and received a good range of expressions of interest.
5. They have also adopted other permitted key features within the 2015 Regulations, such as being allowed to appoint more than one solution provider to the Partnership.
6. As part of the collaborative procurement, the GLA have issued a Participation Agreement for the Council to sign up to. This is not a contract for services so is not covered by Contract Standing Orders, but authority is requested to enter into this agreement, which has been reviewed from a legal perspective. This requires payment of £10,000 as a contribution to the procurement costs.

7. Approval is also sought for direct award to the GLA-appointed consultants, who will move into the phase of supporting the individual participating housing authorities once the Innovation Partnership is up and running. A waiver in relation to this direct award has already been obtained.

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Background Papers Used in Preparing This Report

Cabinet paper: Decarbonisation of Social Housing – Innovation Partnership Prototype Phase – EnergieSprong Whole House Retrofit (taken to SLT on 15/02/2021)

DETAILED ANALYSIS – ISSUES AND PROPOSALS

- 0 LBHF has issued a climate emergency and has ambitious plans to become net carbon zero by 2030. 35% of the emissions that LBHF are responsible for come from the energy consumed in heating our stock of c12,000 social houses. Radically improving the energy efficiency of our social housing is absolutely critical to achieving our climate emergency goals.
- 0.1 LBHF have been successful in applying to join the GLA's Social Housing Decarbonisation Fund Demonstrator (a.k.a. the 'Energiesprong Project'), a nation-wide pilot aimed at accelerating the creation of viable whole-home zero-carbon retrofit solutions that social landlords can procure at scale. Participation in the project enables LBHF to access 40% grant funding for the retrofit of 27 homes during 2021 as part of a collaboration with other bodies, London Borough of Barking & Dagenham being the accountable body for the grant. This will generate valuable learning about whole home retrofit. The GLA project is looking to part-fund the retrofit of c150 homes during 2021. Its aim is that the pilots will lead to the creation of a framework of providers offering proven retrofit solutions, that will enable social landlords to commission retrofit at scale.

1 GLA framework

- 1.1 The recommended procurement strategy is that GLA will collaboratively procure an Innovation Partnership consisting of a number of providers, and LBHF will be able to appoint a retrofit provider using the GLA-prescribed award procedure and prescribed form of Contract.
- 1.2 GLA will set the basis for which providers are appointed to the Innovation Partnership, and which partner becomes LBHF's provider is based in part on the providers' preference. It is therefore important that LBHF sets up its own scheme in a way which is attractive to the market.
- 1.3 GLA require a contribution of £10,000 from each social landlord participating in the Energiesprong Project to cover the costs of procurement. This will be managed within the total capital budget for the project.
- 1.3 Innovation Partnership
- 1.4 An Innovation Partnership is a process whereby a contracting authority (or authorities) work with the market to support the development of innovative products, services or works and subsequently purchases them, as long as they meet the performance levels and maximum costs agreed between the contracting authority and the supplier/s.
- 1.5 The 'Retrofit Accelerator Homes Innovation Partnership' (RAHIP) will be a staged approach designed to support the market develop new solutions. The RAHIP will be a competitive procedure that allows suppliers to develop new products by providing an increasing pipeline through phased contracts, with progression to the next phase contingent on the supplier meeting specified performance targets. Cost is one of the key performance targets, and so cost reduction steps are built into the procurement and delivery of the scheme. It is therefore possible that the LBHF-appointed provider will not be able to provide proof of concept, and so could be removed from the RAHIP at any early stage, at which point LBHF would need to appoint a new provider.
- 1.6 An Innovation Partnership can only operate in circumstances where it can be shown that no product or service already exists to meet the need. Research carried out by the Energiesprong Project has found that individual retrofit works (such as insulation, solar panels and heat source pumps) are freely available, but that a 'whole house' solution does not presently exist which is able to meet the net zero target at an economic price point. Components need to be integrated and modular (e.g. roofs with inbuilt solar panels) and energy efficiency performance needs to be guaranteed. This lack of a whole house solution that delivers guaranteed net zero is the fundamental justification for using an Innovation Partnership, which is designed to support innovation and market development.
- 1.7 The Energiesprong Project carried out market analysis: only 3 Solution Providers in the UK have experience of prototypes or pilots and none of delivering whole house retrofit at scale.

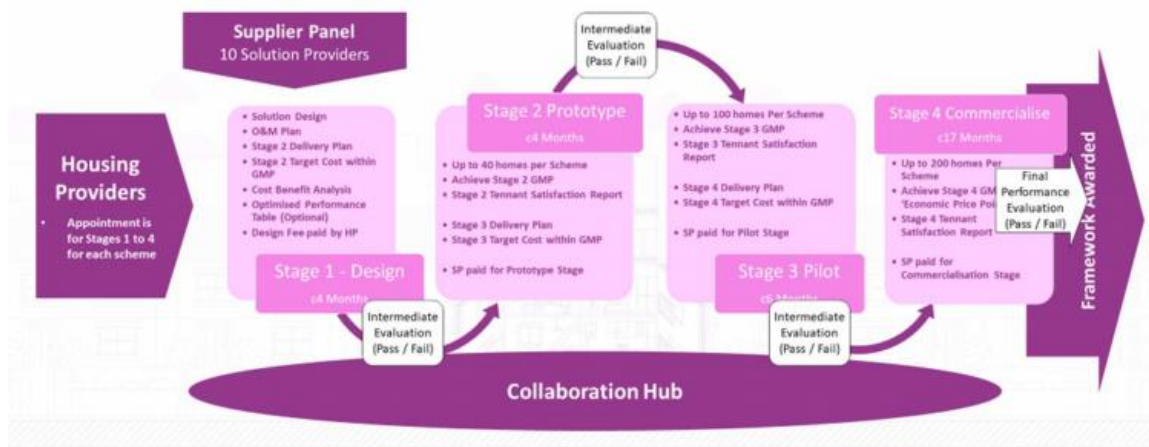
1.8 The project worked with other housing providers the London Borough of Barking and Dagenham and Sutton Housing Partnership to carry out an options appraisal of the procurement options. Innovation Partnership scored highest overall in meeting the criterion as shown below.

1.9 Structure of the Innovation Partnership
 1.10 See the developmental process diagram below for visual representation of the Innovation

			Procurement Strategy Options													
			Option 1 Open Procedure Single Stage		Option 2 Restricted Procurement Single Stage		Option 3 Restricted Procurement Two Stage		Option 4 Competitive Procurement with Negotiation - Two Stage		Option 5 Competitive Dialogue		Option 6 Innovation Partnership		Option 7 Single Source	
Criterion	Weighting	Weighting	Score	Weighted	Score	Weighted	Score	Weighted	Score	Weighted	Score	Weighted	Score	Weighted	Score	Weighted
Strategic	High	3	1	3	2	6	3	9	4	12	4	12	5	15	1	3
Economic & Financial	High	3	1	3	2	6	3	9	4	12	3	9	5	15	2	6
Commercial	Medium	2	1	2	1	2	3	6	3	6	3	6	4	8	2	4
Supply Chain	High	3	2	6	2	6	3	9	3	9	4	12	4	12	1	3
Technical	High	3	1	3	2	6	4	12	4	12	5	15	5	15	3	9
Risk	Medium	2	1	2	2	4	4	8	3	6	2	4	2	4	1	2
Programme	High	3	1	3	2	6	3	9	4	12	4	12	5	15	3	9
Management	Medium	2	3	6	4	8	4	8	3	6	3	6	3	6	4	8
Customer & Stakeholders	High	3	1	3	2	6	3	9	4	12	5	15	5	15	2	6
Culture & Behaviour	Medium	2	1	2	2	4	3	6	4	8	4	8	4	8	2	4
Overall Weighted Score			33		54		85		95		99		113		54	

at stage 2 to be used in stage 3 and 4.

Stage 1 to 4 – Developmental Process



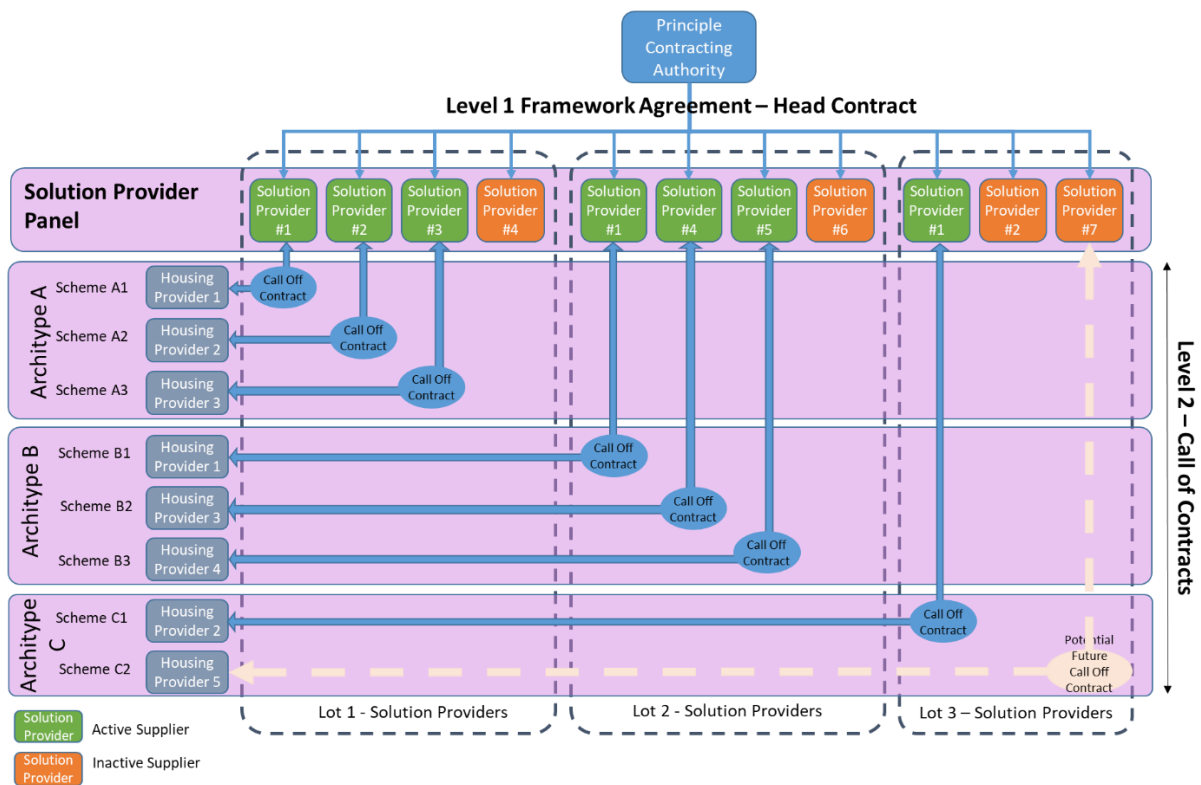
1.11 Accepting providers onto the Innovation Partnership

1.12 GLA will run a procurement process for an Innovation Partnership using the special procedure for this set out in the procurement legislation, (using Selection Questionnaire and proposal phases) to choose 10 solution providers who will then join the Partnership. LBHF will then partner with a chosen solution provider via a prescribed form of specific contract.

1.13 Bidders will be evaluated against their:

- Ability to deliver the specification (see below)
- Commercial factors:
 - Fee proposal
 - R&D cost plan (lump sum)
 - Component costs (i.e. key people costs)

- 1.14 Bidders must accept the performance plan, which will evaluate whether they have succeeded and are eligible for the next phases of the partnership, and incentive plan, which determines who benefits/pays if the specified outcomes are exceeded or if costs exceed the target level.
- 1.15 The appointment to the Innovation Partnership will be based on a combined price and quality evaluation with a quality / price ratio of 70%/30% in favour of quality. Commercial evaluation will utilise the bidder's tendered overheads, profit, and exemplar projects (for preliminaries, plant/equipment and staff rates). The overall quality and price scored will be combined to produce a total score for each tender and ranked accordingly. The ranking determines which bidder gets the first choice of housing provider projects. At the same time as a provider is appointed to the Innovation Partnership, there will also be appointment to a Framework for future projects.
- 1.16 Financial vetting of bidders will be carried out by GLA as part of the procurement. LBHF would also have the opportunity to carry out vetting of the provider they are matched with at the point of contract signature.
- 1.17 Provider matching
- 1.18 LBHF's 27 property retrofit scheme will be one of a number of schemes being procured through the Innovation Partnership, with each social landlord participating in the Energiesprong Project having nominated a scheme. These schemes will be awarded on the basis of scheme preferences expressed by the successful solution providers as part of their tender. The winning bidder for each lot will be awarded their preferred scheme in that particular lot with the second and third place bidders being awarded their preferred options from the remaining schemes. Bidders accepted into the Innovation Partnership but not awarded schemes at the outset will remain on the associated Framework panel and will be eligible to enter Further Competitions for future schemes which may become available.



1.19 This method of matching LBHF with a works provider is akin to Direct Award under a framework (where the framework has selected the provider that is available for appointment/call off). There is no provision for Mini-Competition within the GLA Innovation Partnership so LBHF does not have any scope to choose between the solution providers.

1.20 Where LBHF does have input is in the specific contract. The specific contract for each social landlord participating in the Energiesprong Project is semi-bespoke in that it is a mix of prescribed clauses and specification set by GLA/the project, and bespoke clauses and specification that are set by the social landlord. LBHF will draft its own bespoke sections of its own call-off contract during February 2021. It is the bespoke sections that will inform the solution providers' preferences that determine the matching of providers and landlords.

2. Specification

2.1 The prescribed specification for the Innovation Partnership will be an outcomes-based specification which will not prescribe technical solutions (as these will be developed by the market). However, it will seek to provide:

- A new energy efficient façade of the house providing an air-tight, non-flammable, fire-compliant insulated cassette providing a fabric performance reduction of 30 kWh/m² per year
- A new roof covering with solar panel array resulting in net zero electricity consumption per year target with a maximum 1,500 kWh per year overall limit and no gas

- Incorporation of low carbon technologies such as heat pumps, battery storage, smart monitoring and controls integrated in a factory-built energy module and electric vehicle charging points where feasible
- An overall 80% improvement to the thermal comfort of the building – 21°C & 18°C living rooms and bedrooms, hot water and plug power, at affordable total cost
- Installations must be achieved with minimal intrusion to the property, without decanting tenants and over a period of no more than 15 days
- The solution must come with a 30-year guarantee and ensure no overheating, noise or moisture/damp issues

2.2 Similar specifications have delivered 85 – 95% CO2 saving in the UK experimental projects, reducing to 100% reduction as the electrify grid decarbonises in future.

3 Commercial model

3.1 The commercial model selected by GLA is the NEC form of contract with a pain/gain share mechanism, which has been designed to reward performance and create the right behaviours in the market, as listed below:

- Open book costing
- Suppliers to be paid their costs associated with the design development
- Suppliers to be paid their costs for the manufacture and installation of the whole house solution
- An incentivisation model which enables suppliers to share in the benefits if the outcomes are exceeded. Conversely, suppliers contribute to the cost of any overspend but with an equitable cap on liability
- Progressive performance targets associated with the end of each phase of the Innovation Partnership
- Provision to remove nonperforming suppliers from the Innovation Partnership at intermediate assessment (replacement) tolerances = cap

Innovation Partnership Lifecycle Commercial Model					
Phase 0 Procurement	Phase 1 R&D Phase	Phase 2 Prototype	Governance Gateway	Phase 3 Pilot	Phase 4 Scale Up
Bidders will be evaluated against:	Suppliers paid R&D cost plan (lump sum)	Suppliers paid actual costs		Suppliers paid actual costs	Suppliers paid actual costs
<ul style="list-style-type: none"> • Fee proposal • R&D cost plan (lump sum) • Component costs (i.e. key 	No pain or gain incentive model	Suppliers paid agreed fee less adjustment for incentive		Suppliers paid agreed fee less adjustment for incentive model	Suppliers paid agreed fee less adjustment for incentive model
		Suppliers paid agreed fee less adjustment for incentive		Suppliers taken through to Phase 4	

people costs) Bidders must accept the performance plan and the incentives plan	Supplier elimination if failure to meet performance plan	model Suppliers taken through to Phase 3 subject to meeting the performance plan	subject to meeting the performance plan	Suppliers awarded future contracts subject to meeting the performance plan
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- 3.2 There will be gateway points at the end of each phase. Where a works provider fails to achieve the performance criteria for each phase of the Innovation Partnership as set out in the Performance Table, then the social landlord (e.g. LBHF) has the right to terminate that supplier the end of the phase in which the failure occurred. The works provider will be entitled to be paid its defined costs for the work performed up to and including that phase together with the prescribed fee adjusted for the incentive plan.
- 3.3 The gateway to phase 3 is significant for LBHF because a capital budget is only in place to cover phases 1 and 2. A full Business Case would need to be developed to address the choice of properties and how the works would be funded. It is likely that the funding model would be much more reliant on an 'invest to save' premise where 30 years of income and savings would pay for the initial capital investment. The decision on whether to proceed into phase 3 on the basis of this Business Case would be submitted to Cabinet at the end of 2021/early 2022.
- 3.4 Stage 3 will be an opportunity to deploy the approach on blocks of flats, the most common archetype in LBHF. Reducing energy use in flats will be essential to support the Council achieve zero emissions in its housing stock and this is likely to be one of the objectives of phase 3.
- 3.5 LBHF will ensure that the specific contract entered into with the works provider commits to no work beyond phase 2 and makes clear that further work is subject to Council Governance.
- 3.6 All intellectual property associated with the retrofit solution that is developed and piloted will be owned by the Housing Provider as it is produced as part of the works/services under the call off contract. If a works provider (alone or with other works providers or contractors outside of the framework) determines that they would like to use the intellectual property rights for a future scheme with a different Housing Provider, they may request permission to do so from the Housing Provider. The Housing Provider may grant a licence for the works provider to use the intellectual property for the benefit of a future scheme and may make this revocable, transferable and for a royalty fee should they so choose.

4 Project support services:

- 4.1 Membership of the Energiesprong project entitles LBHF not just to £900k of grant funding but to significant support from the GLA and its delivery partners Turner & Townsend Consulting Limited (T&T) and their subconsultant Energiesprong UK Ltd. This support will include:
- Programme management of the overall Energiesprong project.
 - Accessing the learning from other participating social landlords.
 - Advice on common issues/solutions e.g. around resident engagement strategies.
 - Support in drafting the bespoke sections of the call-off contract.
 - Lobbying Government to improve legislation to better facilitate the Energiesprong model.
- 4.2 This support will be very valuable in delivering a retrofit project that is at the cutting edge of technology and legislation. It is difficult to value it precisely but is likely to equate to £10k - £100k of equivalent consultant support, depending on how much support LBHF ultimately draws upon.
- 4.3 LBHF will not be charged anything for this support. There is a requirement to sign an agreement with GLA (“the Participation Agreement”) to cover the collaborative procurement, and with T&T (“the Support Plan”) to formally define the support that LBHF can expect and to define the liability of these partners.
- 4.4 LBHF could theoretically source similar support from alternative consultancy firms, if it were to embark on its own independent retrofit project. Sharpe Pritchard have advised that, despite the cost of the T&T services being zero, there is therefore a need for approval of the direct award to this company.
- 4.5 The recommendation is T&T be directly awarded a support contract without any form of competitive tender. Contract Standing Orders are being waived for the reason that this organisation is clearly the best placed to provide the support services, and that contracting with them is a pre-condition for remaining in the Energiesprong project and receiving the £900k of grant funding. Any other option would lose the Council this funding and this is clearly not in the best interests of the Council.

5 Risk Assessment

- 5.1 Please note that the risks surrounding the retrofit works, ongoing maintenance and the set up of Comfort Plans with affected households are considered in the Cabinet Paper seeking authorisation to proceed with the project. This Procurement Strategy only focuses on the procurement and contract risks.

Risk	Mitigation Measures
Housing Provider resource capacity & capability	<ul style="list-style-type: none"> • Development of clear Innovation Partnership operating model by the Energiesprong Project with defined roles and responsibilities and use of consultants where needed to support

	Housing Provider resources (T&T and their subconsultant EnergieSprong who originally designed the retrofit concept will provide support).
Supplier challenges Innovation Partnership as not permissible due to solution already available	<ul style="list-style-type: none"> • Energiesprong Project has carried out deep market analysis to identify available supply chain and systems developed to-date • Market engagement to gauge appetite for Innovation Partnership and demonstrate dialogue prior to Innovation Partnership • Use of Archetype 'lotting' structure to differentiate Innovation Partnership solutions
Supplier fragility, capacity and or capability	<ul style="list-style-type: none"> • GLA will carry out forensic due diligence during 'request to participate' stage of procurement • Appointment of multiple partners across lots
Failure to achieve min requirements (Cost/Quality)	<ul style="list-style-type: none"> • Minimum requirements will be clearly defined and measurable by GLA • Discretionary pass/fail for intermediate targets
Supplier Challenge	<ul style="list-style-type: none"> • GLA will identify and scrupulously follow compliant procurement process • Secure legal opinion in place on proposed end to end procurement process
Failure to deliver solution on time	<ul style="list-style-type: none"> • Allow sufficient time in schedule for procurement and each stage of Innovation Partnership • Strong programme and project management from Energiesprong Project
LBHF specific risks	
LBHF does not want to use the provider available via direct award from the GLA framework	<ul style="list-style-type: none"> • LBHF can opt not to sign the specific contract. LBHF would lose the grant funding but there would be no other liabilities. LBHF would have sunk the £10,000 paid to GLA for the costs of procurement. • There may be scope to request a match with another provider.
The specific contract does not suit LBHF needs	<ul style="list-style-type: none"> • The prescribed parts of the specific contract will be subject to Sharpe Pritchard and officer review to identify anything that is not in LBHF's interests. • A part of the contract will be drafted by LBHF, enabling officers to ensure that specific LBHF requirements are met.
LBHF over-commits to a level of retrofit for which insufficient capital budget is available	<ul style="list-style-type: none"> • LBHF will not sign a contract unless it is clear that progression beyond stage 3 of the Innovation Partnership is not guaranteed and is subject to Council Governance. Budget is in place for phases 1 and 2 and a Cabinet Paper is seeking authorisation to proceed to these phases.

6. Options analysis

- 6.1 Option 1 (recommended): LBHF participates in the GLA collaborative procurement to set up an Innovation Partnership as its procurement route, which will include carrying out a Direct Award from the GLA framework.
- 6.2 This option enables LBHF to benefit from the £0.9m grant funding and the innovation and learning from the Innovation Partnership approach. It is the only option that offers a retrofit solution where the energy efficient outcomes are *guaranteed* by the provider of the retrofit works.
- 6.3 It is the quickest procurement route and involves the least time commitment from LBHF. It requires LBHF to draft bespoke sections of the Call-off contract and pay GLA £10,000 as a contribution towards the costs of procurement.
- 6.4 The gateway approach embedded in the prescribed sections of the Innovation Partnership documentation mean that LBHF will have multiple opportunities to exit the contract if the works provider is not being delivering.
- 6.5 Option 2: LBHF participates in the GLA collaborative procurement to set up an Innovation Partnership (IP) as its procurement route and carries out a Mini-Competition from this GLA IP
- 6.6 This option is not possible as the GLA IP has no Mini-Competition mechanism.
- 6.7 Option 3: LBHF carries out its own procurement of a retrofit solution – via another framework.
- 6.8 There are no other frameworks that offer what the Energiesprong project is offering: a retrofit solution where the energy efficient outcomes are *guaranteed* by the provider of the retrofit works. There are frameworks where retrofit works (roofs, cladding, solar panels, insulation, windows etc) can be procured but here the providers are simply installing the works without any ongoing contractual responsibility for the actual impact on the energy consumed or the comfort achieved.
- 6.9 Option 4: LBHF carries out its own procurement of a retrofit solution – via an open, competitive procedure
- 6.10 LBHF could draw up its own specification for a retrofit solution with guaranteed outcomes and put this out to tender. This is area of cutting-edge technology where LBHF lacks the knowledge and skills to produce such a specification, certainly not to the standard of the specification being offered by the Energiesprong project, which is supported by industry experts. There is also no mature market for this product (which is why the project is using an Innovation Partnership). Providers are unlikely to want to enter into a traditional procurement relationship with LBHF when their product is still being

developed. An open tender would likely result in no provider being appointed, or it could lead to a difficult contractual relationship with a high risk of failure.

- 6.11 Option 5: LBHF carries out its own procurement of a retrofit solution – via an Innovation Partnership.
- 6.12 The attractiveness of the Energiesprong project Innovation Partnership to providers is that successful bidders join an initiative where there is a credible pipeline of work, and a reliable framework in which to innovate and learn. The project is backed by Government and can survive individual social landlords leaving the project. An Innovation Partnership with LBHF alone would be less attractive to bidders as there would be greater risk of failure. LBHF has yet to commit to a long term programme of retrofit. LBHF also has no experience of an Innovation Partnership and would almost certainly require consultant support and significant legal support. The cost of this support and the cost of the procurement exercise itself would very likely exceed the £10,000 cost of participating in the GLA-led procurement.

7. Reasons for Decision

- 7.1 To support the decarbonisation of 27 properties on the West Kensington estate over a one year period – a valuable first step in achieving the Council's Climate Emergency objectives.
- 7.2 Using a third party's Innovation Partnership reduces the resource implications for the Council. Using the GLA IP is best suited to the under-developed whole-home retrofit market, because the Innovation Partnership model should facilitate R&D and prototyping and deliver of a solution where the energy efficiency outcomes are guaranteed by the provider. Using the GLA IP enables LBHF to draw on £0.9m of grant funding to support the project.

8. Climate Change

- 8.1 35% of the emissions that LBHF are responsible for come from the energy consumed in heating our stock of c12,000 social houses. Radically improving the energy efficiency of our social housing is absolutely critical to achieving the Council's climate emergency goals. The 27 home pilot facilitated through participation in the Energiesprong project will enable LBHF to take a valuable first step towards a comprehensive retrofit programme.
- 8.2 This is high quality retrofit work. Proper ventilation and resilience to future temperature rises is part of the baseline specification.
- 8.3 Comments validated by Jim Cunningham, Climate Policy & Strategy Lead, 07468 365829

9. Local Economy and Social Value Implications

- 9.1 The Council's Social Value Strategy became effective on the 15 May 2020 and introduced a mandatory requirement for all procurement activities over £100,000 to generate a minimum 10% in social value.
- 9.2 The Contract Manager should contact H&Fs Social Value Officer as soon as the contractor is confirmed so that officers supporting local supply chain activity and local employment can provide support as appropriate.
- 9.3 The supplier will also be required to register with the Social Value Portal who will be assisting the Council to monitor performance against targets committed, which will form part of the Key Performance Indicators (KPIs). The contract will include penalties for non-delivery of social value commitments.
- 9.4 Implications completed by: Ilaria Agueci, Social Value Officer
tel. 0777 667 2878

10. Equalities

- 10.1 This procurement strategy covers the method of procurement. The method of procurement has no equalities implications. The broader retrofit project has some equalities considerations – affected tenants might be old or have disabilities and this needs to be taken into account. Resident engagement is key and is covered by the Cabinet paper: Decarbonisation of Social Housing.

11. Risk Management

- 11.1 Collaborative procurement with the GLA, and through the Innovation Partnership, is being proposed to draw experience, technical knowledge and expertise required to deliver a successful project. The approach ensures that the Council continues to attain best value in accordance with the Ruthlessly Financially Efficient Priority. If successfully implemented the proposals contribute positively to the management of Climate Change risk through the measures set out in the specification referred to in section 2.
- 11.2 Implications verified by: Michael Sloniowski, Risk Manager 020 8753 2587